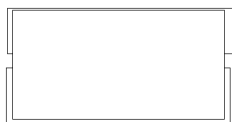


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THE WHITE HOUSE
WASHINGTON

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CABINET AFFAIRS STAFFING MEMORANDUM

DATE: 7-20-82 NUMBER: 077394CA DUE BY:

SUBJECT: Cabinet Council on Commerce and Trade

	ACTION	FYI		ACTION	FYI
ALL CABINET MEMBERS	<input type="checkbox"/>	<input type="checkbox"/>	Baker	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Vice President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Clark	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Darman (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Defense	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Harper	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Jenkins	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Interior	<input type="checkbox"/>	<input checked="" type="checkbox"/>	M. Wheeler	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Agriculture	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Commerce	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Labor	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
HHS	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
HUD	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Energy	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CCCT/Gunn	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CEQ	<input type="checkbox"/>	<input type="checkbox"/>	CCEA/Porter	<input type="checkbox"/>	<input type="checkbox"/>
OSTP	<input type="checkbox"/>	<input type="checkbox"/>	CCFA/Boggs	<input type="checkbox"/>	<input type="checkbox"/>
SBA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CCHR/Carleson	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	CCLP/Uhlmann	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	CCNRE/Boggs	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: The CCCT will meet tomorrow, July 21, at 8:45 a.m. in the Roosevelt Room.

The agenda and papers are attached.

RETURN TO:

☐ Craig L. Fuller
Assistant to the President
for Cabinet Affairs
456-2823

☒ Becky Norton Dunlop
Director, Office of
Cabinet Affairs
456-2800

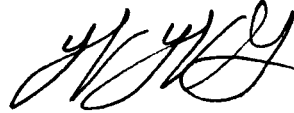
MEMORANDUM

THE WHITE HOUSE
WASHINGTON

July 20, 1982

MEMORANDUM FOR MEMBERS OF THE CABINET COUNCIL ON COMMERCE AND TRADE

FROM: WENDELL GUNN
Executive Secretary



SUBJECT: Agenda for Meeting of July 21, 1982
8:45 a.m. in the Roosevelt Room

Attached are reading materials for this week's CCCT meeting. The items to be covered are as follows:

- 1) Export Financing: A Barrier to U.S. Exports
- 2) Presidential Statement on Minority Business



THE SECRETARY OF COMMERCE
Washington, D.C. 20230

MEMORANDUM FOR: Members of the Cabinet Council
on Commerce & Trade (CCCT)

FROM: Malcolm Baldrige, Chairman Pro Tempore, MB
Cabinet Council on Commerce and Trade

SUBJECT: Financing as a U.S. Export Disincentive

Action Forcing Events: The growing perception in the exporting business community that (a) the availability and cost of export financing has become a critical factor in U.S. export competitiveness; and (b) existing federal export financing mechanisms are inadequate in providing financing to a broad range of U.S. business, notably the small and medium-sized exporter. This perception has caused a growing number of business groups and state governments to propose new export financing mechanisms to create new jobs through exports, complementing those mechanisms that are currently available.

Background

A large portion of the small and medium-sized U.S. business community continues to be shut out of the export market by the lack of available financing capital or guarantees. This circumstance runs counter to the Administration's objective of expanding the base of U.S. exporters.

A more adequate range of export financing would allow U.S. export sales to a) better contribute to an alleviation of the current recession; b) create more new jobs in the exporting sectors; c) contribute incremental tax revenues; and d) help our high technology exports maintain a leading edge in global markets.

Two structural problems exist that have made the matter of cost and availability of export financing a major export disincentive in the view of a broad spectrum of the U.S. business community.

1. Adequate banking mechanisms within both the private and public sectors have yet to be developed to provide competitive export financing to many medium and small-sized U.S. businesses. Competitive short-term financing for two years or less for export shipments under \$5 million, for example, is altogether lacking. (This problem is cited by the National Federation of Independent Business survey as the number one obstacle facing small business -- far ahead of other factors such as labor costs or government regulation. The Commerce Department's own 1982 survey of the 1500 small business members of the nationwide District Export Councils yields the same conclusion.)

2. Persistent foreign government practices of subsidizing export finance continue to distort global competition. The OECD Arrangement has set international minimum interest rate levels well below actual market rates, placing a marked strain on the capacity of the U.S. Eximbank to offer adequate and competitive financing. The reduction of Eximbank's budget authority further limits its ability to respond to international competition. This Administration is actively seeking to reduce government intervention in the market place through multilateral trade agreements. There is, however, an urgent need to couple this approach with a determined policy of neutralizing the effects of subsidized foreign competition.

Compared with other industrial nations, U.S. capital markets are unrivaled, yet few of the comparative advantages in the areas of banking and capital formation have been explored for export purposes. Finding ways that more efficiently utilize U.S. financing capabilities through a coordinated effort between the private and public sectors may be the most effective means of reducing, if not eliminating, inefficient government subsidies of export finance.

Consistent with budgetary constraints, free market principles, and GATT, new private sector approaches can be developed to assist U.S. exporters. For official export credits, the United States has conceded to limit maturity terms to ten years. While this best suits the capital markets of other nations, lengthening maturity terms in the private sector can greatly aid U.S. financing competitiveness. The much more efficient interest support concept initially espoused by Ambassador Bill Brock has yet to be implemented, at either a federal or state level. Life and casualty insurance resources, and other institutional capital, have yet to be applied to export uses. Eurocurrency markets have yet to be tapped efficiently for U.S. export financing purposes. Export trading companies offer an additional opportunity for sharing financing risks and pooling capital resources.

Recommendation for CCCT Action:

To explore in depth the feasibility and economic and job-creating impact of the wide variety of proposed complements to federally-funded export finance, it is proposed that a CCCT study be conducted by an inter-agency Working Group, chaired by the Department of Commerce, focusing on

- a. export financing mechanisms available to the private sector and non federal government entities, notably those that do not rely primarily on federal funding and that are consistent with GATT and the OECD Arrangement, and
- b. mechanisms to improve the small and medium-sized exporters' access to export financing.

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This study would draw directly upon the expertise of a) the private sector; b) the growing number of state governments and export development agencies that are pursuing this issue; and c) federal departments and agencies. The advantages and disadvantages of all seriously proposed alternatives will be examined; but the greatest emphasis will be placed on developing thinking on those mechanisms which are consistent with budgetary efficiency and constraints and with the principles of the free market.

The range of options that the proposed study will explore include among others:

1. Private sector export financing cooperatives that serve to complement existing official export credit institutions. Currently Lehman Brothers Kuhn Loeb is forming a "CEFCO," but other types of cooperative should be explored, especially ones that service small and medium-sized business. Such cooperatives could be constituted exclusively from private export capital, from the exporters themselves and from institutional sources. Guarantee mechanisms could include combinations of private-sector and existing Federal programs.
2. State government export financing facilities that are consistent with GATT and the OECD Arrangement. Such facilities might include combinations of interest support, lending, guarantees, and International Banking Facilities, tailored to the circumstance of the various states. Already several states have expressed interest in instituting such facilities to help their businesses compete and save jobs, and are looking to this Administration to give them guidance on how best to proceed. (Attached is an example of one proposal for State medium-term export financing which would be among those examined in more depth by the proposed CCCT study.)

The proposed study would also lend support to the following initiatives by the Treasury Department and other agencies as they:

- a. re-examine priorities in the area of tax-exempt state and municipal financing, coupled with a careful look at the possibility that state and local export financing mechanisms may be a relatively efficient use of such financing in terms of national economic goals.
- b. pursue efforts to minimize the use by our trade competitors of government subsidized export financing, while recognizing that as long as such trade-distorting practices persist we must take measures to neutralize the adverse impact of such distortions on our exports.

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- c. seek to make more efficient budgetary and export-generating use of the Export Import Bank's resources, possibly through such initiatives as
 - (i) dedicating Exim lending activity more specifically than at present to situations where foreign government subsidies demonstrably put otherwise competitive U.S. exports at a disadvantage.
 - (ii) reallocating unused Exim direct credit authority to smaller and shorter-term export financing, under the Discount Loan Program mechanism, thereby improving access of the smaller exporter to export financing, with emphasis on situations where meeting foreign government-subsidized competition is a demonstrable competitive factor; and
 - (iii) shifting more of Exim's budget resources over time to guarantees, which generate a much higher volume of exports per Federal budget dollar than do loans.

THE WHITE HOUSE

WASHINGTON

July 20, 1982

MEMORANDUM FOR THE CABINET COUNCIL ON COMMERCE AND TRADE

FROM: DAN J. SMITH, CHAIRMAN 
WORKING GROUP ON THE FEDERAL ROLE IN
PROMOTING MINORITY BUSINESS DEVELOPMENT

SUBJECT: Draft of Presidential Message on Minority
Enterprise Development

Action Forcing Event

In his March 1, State of Small Business: A Report of the President, the President announced that "the Cabinet Council on Commerce and Trade is reviewing all government assistance programs for minority business to determine how they can be made more efficient and effective." The following action item is in response to that directive.

Action Item

Attached for approval at the July 21 Cabinet Council meeting is a draft of a Presidential message to Congress on minority enterprise development. The message will be accompanied by a report containing a detailed inventory of current Federal efforts on behalf of minority businesses.

The message contains a set of proposed Administration initiatives on behalf of minority business. These initiatives begin on page three. The message, including the various initiatives, has been reviewed by the CCCT Secretariat, as well as appropriate offices.

PROPOSED PRESIDENTIAL INITIATIVE FOR
MINORITY ENTERPRISE

To the Congress of The United States:

This Administration is committed to the goal of greater opportunity for economic progress and independence for disadvantaged Americans. A major step toward this goal was taken last year with the enactment of this Administration's Economic Recovery Program. This program will help promote an environment of expanding opportunities for the formation and development of minority enterprise by reducing inflation and stimulating economic growth.

However, I do not intend to have our efforts end here. Today, I am announcing an Initiative for Minority Enterprise to further promote an economic environment in which minority entrepreneurs can fully marshal their talents and skills to achieve better lives for themselves and a stronger economic base for America. Progress will not be easy to achieve but the foundation has already been established through the development, over the last 20 years, of significant minority enterprise activity.

Basic Principles

My Initiative for Minority Enterprise is based on several important principles:

1. A healthy, growing economy is fundamental to creating the opportunity for the formation and growth of minority owned businesses.

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2. Greater economic independence for disadvantaged Americans will best be achieved through increased opportunities for ownership of and employment in our economic system.
3. Discrimination is morally wrong and deprives this nation of the talents and abilities of potentially valuable contributors to our economy. Government has an obligation to ensure fairness and equal opportunity for all its citizens and this Administration will meet that obligation.
4. Creativity, private entrepreneurship, and self-help will ultimately determine the success or failure of individual minority businesses.
5. Expanded private sector commitment to and involvement in minority enterprise developmental efforts, including Federal programs, will be crucial if the goals of this Initiative are to be achieved.

The Initiative and its Six Elements

The Initiative I am announcing today puts these principles into practice. It is an integrated set of policies and programs that helps minority entrepreneurs help themselves. The Initiative that will help create conditions under which creativity, private entrepreneurship, and self-help can flourish.

Our Initiative contains six major groups of policies and programs which build on existing Federal efforts, as well as creating several new ones. The steps being announced today will be implemented through administrative actions, including

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two new executive orders, and will go into effect immediately. The appendix to this statement describes the steps we are announcing today in more detail as well as the problems and policy context which stimulate this Initiative. In discussing this program, when I use the term "minority business" I am actually talking about firms which are owned and operated by any individuals who are socially and economically disadvantaged according to Federal guidelines.

1. NATIONAL PRIORITY. To make expanded development and encouragement of minority enterprise a national priority for the decade of the eighties:

(a) The Department of Commerce will strive to assist in the formation of 100,000 new minority businesses and to assist 100,000 existing businesses expand during the next ten years.

(b) I shall designate annually a Minority Enterprise Week.

2. FEDERAL RESOURCE COMMITMENT. To set an example for the private sector for this Initiative the Federal government anticipates:

(a) During Fiscal Years 1982, 1983, and 1984 procuring directly or indirectly, an estimated \$22 billion in goods and services from minority businesses.

(b) During this same period providing approximately \$1.8 billion in management and credit assistance to promote minority enterprise development.

3. PRIVATE SECTOR INITIATIVES. To spur private sector

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involvement in minority enterprise development:

(a) I will solicit the support and involvement of business leaders in this essential effort. Through the Department of Commerce, we hope to encourage at least 2,500 firms to expand their support for minority business.

(b) To reinforce the private sector support, I am creating a National Leadership Council for Minority Enterprise Development to encourage and coordinate joint Federal and private sector actions.

(c) I am naming a special private sector panel to explore opportunities for reducing regulatory and logistical barriers to small and minority business export expansion and the panel is to report back with specific recommendations.

4. BUSINESS DEVELOPMENT CENTER NETWORK. To improve the delivery of Federal services locally:

(a) We are establishing a national network of Business Development Centers opening this summer. One hundred Centers will be located throughout the country in 95 standard metropolitan statistical areas. They will not only provide management and technical assistance but will also stress the leveraging of public and private resources through the participation of private enterprises and local governments.

(b) We will test the concept of using a voucher approach in delivering management and technical assistance. In

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selected locations, the role of the Center will be more limited and a "voucher" or order will be used -- a firm will select a vendor for consulting services with costs shared by the Federal government.

5. MARKET DEVELOPMENT SYSTEM. To increase the market opportunities of minority businesses we will make a number of improvements in Federal procurement programs.

(a) Overall, greater emphasis is to be placed in each procurement program on expanding the number of firms participating. Therefore, I am directing the Small Business Administration (SBA) to set goals for the number of contractors involved in addition to existing contract dollar volume goals.

(b) To prepare "graduating" firms for market competition after completing the 8(a) program, I am directing the SBA to create a pilot component wherein contracts will be awarded on the basis of price competition among 8(a) firms.

(c) I am directing the SBA to explore the feasibility of delegating Section 8(a) authority to agencies so they may place contracts directly with certified 8(a) firms.

(d) To expand minority enterprise participation in Federal government subcontracts, I am calling upon department and agency heads and their program and contracting officials to pursue aggressively incentive techniques that stimulate greater minority business subcontracting by Federal prime contractors. These

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incentives will include, but are not limited to: awards fees for superior effort and the consideration of such subcontracting when negotiating profit or fee.

(e) To expand minority enterprise participation in procurements that result from Federal grants and cooperative agreements, by Executive Order, I am requiring grant-making and grant-receiving entities to set annual goals for small and minority businesses and to report annually to me on progress toward these goals.

(f) I am calling upon state and local governments, as well as Federal agencies, to rely on the private sector, particularly small and small disadvantaged businesses, for goods and services, where competitive sources are available.

(g) To help minority enterprise more quickly reach its potential by focusing on new, rapidly growing markets, I am calling upon Federal agencies to place special emphasis on minority high technology firms in planning their minority enterprise activities for Fiscal Year 1983 and beyond.

6. FEDERAL ADMINISTRATIVE CHANGES. We are taking a number of steps to improve the management of Federal programs.

(a) To improve the coordination and planning of Federal efforts, I am issuing today a new Executive Order on Minority Enterprise Development. Beyond reaffirming our commitment and clarifying the Federal mission and

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departmental roles, it calls for an annual plan to be submitted to me, specifying measurable minority-enterprise-development objectives for each agency. Also, it will reduce paperwork and confusion by establishing, for the first time, a uniform definition for minority business to be used throughout the Federal government.

(b) To improve the measurement of performance, an interagency group will establish program management guidelines for all Federal efforts. Every two years, a program management review will be undertaken with the results reported to me.

(c) I am creating a special public/private task force to review existing eligibility criteria for portfolio companies of the Minority Enterprise Small Business Investment Companies program. This Task Force will develop recommendations to insure that companies who receive MESBIC investments are indeed ones that have economic or social disadvantage.

(d) To improve the timeliness and quality of minority business data, I am directing the Commerce Department to accelerate the production of reports stemming from the semi-decennial Survey of Minority Business Enterprise and to maintain and, where possible, expand funding and operation of the minority business economic policy research program.

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Conclusion

Together, the policies and programs of our Initiative for Minority Enterprise should set the stage for expanded development and encouragement of minority business. While such a Federal agenda for action is important, of greater importance will be the steps taken by the private sector and minority entrepreneurs themselves. Economic growth for America -- which is the aim of our Economic Recovery Program -- will ultimately provide the most lasting positive effect on minority business opportunity.

With a recognition that the ultimate realization of the American Dream is achieved in the marketplace, we can, through a greater commitment to public and private cooperation, achieve fuller participation in our market economy by minority Americans.

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